

Program Summary
Department of Weights and Measures
Oxygenated Fuel Program

Program Overview

The Oxygenated Fuel Program is administered by the Arizona Department of Weights and Measures (DWM). The program is responsible for protecting the environment and the consumer by (1) sampling and testing gasoline and diesel fuel quality, and by (2) taking appropriate regulatory action. The program is also responsible for the enforcement of the Arizona Cleaner Burning Gasoline (AzCBG) program which involves the registration and regulation of the registered suppliers, blenders, and transporters of AzCBG.

The program's mission is to: "ensure that gasoline and diesel products sold to and used by consumers are in accordance with national and state adopted standards." This is accomplished through continuously sampling and testing gasoline entering the state through refineries and gasoline being sold through gasoline retailers.

Samples of Arizona's gas are tested from each of the major points along the distribution system. These locations include:

- Oil refineries (Contracted Audits)
- Storage terminals (Contracted Audits)
- Transportation pipelines (1 Sample)
- Distribution terminals (26 Samples)
- Fueling stations (993 Samples)

At each of these locations, the gas is required to meet the AzCBG standards.

Program Funding

The Oxygenated Fuel Program is appropriated money from the Air Quality Fund (AQF). AQF revenue is generated from an annual air quality fee of \$1.50 paid at the time of vehicle registration (A.R.S. § 49-551). In addition, funding for the AQF may be generated from gifts, grants, donations, and monies appropriated by the Legislature.

In FY 2006, the program is funded at \$807,600 and includes 6 FTE Positions. This is an increase of \$27,700 (3.6%) over FY 2005. *Table 1* displays historical funding information for the Oxygenated Fuel Program, using data from FY 2001, FY 2005 and FY 2006.

Table 1

**Oxygenated Fuel Program
Funding History**

<u>Fund</u>	<u>FY 2001</u>	<u>FY 2005</u>	<u>FY 2006</u>
AQF	\$748,300	\$779,900	\$807,600
Total	\$748,300	\$779,900	\$807,600

The increase in funding between FY 2005 and FY 2006 was for increased cleaner burning gas audit costs and Employee Related Expenditures.

Cleaner Burning Gasoline

The FY 2006 appropriation includes an increase of \$17,000 for higher contract costs for cleaner burning gasoline audits. The contract is increasing from \$132,000 in FY 2005 to \$149,000 in FY 2006.

The department contracts with a private company to conduct audits at oil refineries, storage terminals, and transportation pipelines to verify that fuel is meeting Arizona Cleaner Burning Gasoline standards. Audits on the larger refineries are conducted on an annual basis, while audits on the smaller refineries are conducted on a scheduled 4-year cycle. The audits are required by the Environmental Protection Agency as part of their approval of the state implementation plan. Civil penalties are imposed in accordance with A.R.S. § 41-2115, and the department follows a progressive scale for repeat offenders. The revenue received from these fines is deposited into the General Fund along with all other revenue generated by DWM.

Department Inspectors

In addition to the fuel audits conducted by the private company, the department inspectors conduct inspections at the distribution terminals and fueling stations. Inspections at the distribution terminal are conducted on a regular basis, while inspections at fueling stations are conducted on either a random basis or by request. By conducting audits and inspections at each point in the distribution system, the department attempts to monitor fuel quality and ensure that the fuel meets national and state standards.

Recent Programmatic Changes

The Legislature made 2 changes to the Oxygenated Fuel Program during the 2005 Legislative Session.

1. Laws 2005, Chapter 53 does not allow gasoline used for fuel in motor vehicles within the state to

have more than 10% oxygen weight content of certain oxygenates. This restriction is effective January 1, 2006.

2. Laws 2005, Chapter 104 changes the period in the year requiring the use of a gasoline-ethanol blend containing more than 10% ethanol by volume in certain areas of the state from November through March, to November through January. Chapter 104 also allows for the supply or sale of a gasoline-ethanol blend containing less than 10% ethanol on approval by the DWM of a petition demonstrating ethanol supply shortages are imminent.

Performance Measures

Table 2 includes the performances measures the Department of Weights and Measures uses to assess the performance of the Oxygenated Fuel Program.

The only performance measure included in the General Appropriation Act relative to the Oxygenated Fuel Program is the measure to assess the percent of AzCBG's in compliance with oxygenated fuel standards. The purpose of most of the measures used is to assess the quality of Arizona's gas. Although these measures display the effectiveness of the Oxygenated Fuel Program, they do not assess the program's efficiency. In essence, this is a results focused approach. Although results focused performance measures are important, often process focused measures can portray vital information.

The Department of Weights and Measures suggests a performance measure is needed for the transporters of fuel. The department has found that the fuel is compliant when leaving the Arizona terminal, but after being delivered to the retailers the fuel is no longer in compliance.

Table 2		
Oxygenated Fuel Program Performance Measures		
<u>Performance Measure</u>	<u>FY 2004 Actual</u>	<u>FY 2006 Estimate</u>
Percent of non-CBG's in compliance	92	100
Percent of AzCBG's in compliance	97	100
Registered suppliers	40	42